

## **Exhibit 2**



## MAZDA BRAND EXPERIENCE PROGRAM

Mazda Motor of America, Inc., d/b/a Mazda North American Operations ("Mazda") is pleased to announce the Mazda Brand Experience Program ("MBEP"), effective July 3, 2018. MBEP is designed to support those dealers who are engaged and committed to the Mazda brand and consistently provide all customers with an ownership experience that exceeds their expectations.

Effective July 3, 2018

Terms & Conditions as of 2018.09.24



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## Section 1: Overall Program Terms and Conditions

### 1.1 MBEP Dates and Timing

The MBEP program will begin July 3, 2018, and end with the final sales close for June, 2022. Each MBEP earning period is comprised of a Mazda designated month, which follows the new vehicles sales close dates ("MBEP Earning Month"). All program qualifiers must be met prior to each individual MBEP Earning Period, in accordance with the following schedule:

Type	Item	Qualifier Timing
Base Qualifier	Facility Image & Type Inspection	Status as of 25th of calendar month preceding each MBEP Earning Month
	Training	Status as of last day of sales close quarter preceding MBEP Earning Month
	MSS X-Time	Status as of last day of calendar month preceding each MBEP Earning Month
	CX360 Record Health	Rolling 3 calendar month period preceding each MBEP Earning Month
	MCVP	Rolling 3 calendar month period preceding each MBEP Earning Month
Element Qualifier	Brand Commitment – Dedicated Exclusive General Manager	Status as of 25th of calendar month preceding each MBEP Earning Month
	Customer Experience – CX360 Index Score and Survey Health	Rolling 3 calendar month period preceding MBEP Earning Month

### 1.2 Ineligible States

This program is currently not available in the states of Hawaii, Kentucky, North Carolina, and Vermont.

### 1.3 Eligible Dealers

All full service Mazda Dealers of record in eligible states are eligible to participate in MBEP while active during the program period; acknowledgement of Terms and Conditions of the MBEP program is required. Service only dealers are neither eligible nor included in MBEP.

### 1.4 Program Enrollment/Acknowledgement

Dealers must acknowledge the Terms & Conditions within the MBEP website to be eligible for any MBEP Earnings. Acknowledgement must take place prior to end of sales month preceding MBEP Earning Month to be eligible to qualify and earn under this program. New dealers must acknowledge the Terms & Conditions or opt out of the program on the MP3 form as part of their new dealer enrollment process and will be active in the Mazda Brand Experience Program upon dealer activation.



### **1.5 Payment Terms**

MBEP consists of monthly payments. Payments will be calculated as a percentage of Base MSRP of each retail unit sold, rounded to the nearest dollar for each MBEP Earning Element. Mazda reserves any and all rights to adjust percentages upon written notification.

### **1.6 Other Terms**

If any legal or administrative action is brought or threatened by any party to enjoin or prohibit any or all of MBEP, Mazda reserves the right, in its sole and absolute discretion, to suspend any and all payments pursuant to MBEP and/or to modify or cease to offer MBEP, with no liability whatsoever to any dealer. Should Mazda be prohibited by any federal, state or local law, rule or regulation or a determination by any judicial or administrative body from continuing MBEP in any or all state(s), MBEP shall automatically terminate and Mazda shall have no liability whatsoever to any dealer in the state(s) where MBEP is terminated. Further, Mazda reserves the right to cancel, amend, or revoke the policies, and/or any program at any time, for any or no reason, and the Dealer agrees that it will make no claim to Mazda for anticipated benefits or lost opportunity under a cancelled program or revised or cancelled policies.

#### **1.6a Allowance for circumstances beyond the control of Mazda Dealers**

- Disasters:
  - In circumstances when the Mazda Dealership and/or the SOA of the dealer is affected by an event beyond the Mazda Dealership's reasonable control, including, without limitation: fires, floods, storms or other acts of God, any law or regulation of any governmental entity, foreign or civil wars, riots, interruptions of navigation, shipwrecks, strikes, lockouts or other labor troubles, embargoes, or blockades, Mazda reserves the right to adjust any and/or all MBEP Element target(s) at Mazda's sole and absolute discretion.
- Large Scale Communication Technology Provider Interruptions:
  - In circumstances when verified large scale communication industry interruptions that prevent dealer from transmitting required information to Mazda, Mazda, at its sole and absolute discretion, may review, and if necessary, allow for late transmission of data.

#### **1.6b Circumstances beyond the control of Mazda**

Mazda shall not be liable for any events beyond Mazda's reasonable control, including, without limitation: fires, floods, storms or other acts of God, any law or regulation of any governmental entity, foreign or civil wars, riots, interruptions of navigation, shipwrecks, strikes, lockouts or other labor troubles, embargoes, or blockades. In such events Mazda reserves the right to review, adjust, and if necessary, make adjustments to MBEP.





## Section 2: Overall Program Structure

MBEP is comprised of two major categories of Earning Elements (each, an “Earning Element”). To be eligible for each Earning Element, a dealer must meet all applicable Base Qualifiers (each, a “Base Qualifier”). In addition, a dealer may be required to meet additional Earning Element Qualifiers (each, an “Element Qualifier”) as set forth in section 2.2.

### Important Note

Each of the following MBEP Base Qualifiers are governed by unique Terms and Conditions, located in [Section 3](#).

### 2.1 Base Qualifiers

1. Facility Image & Facility Type Inspections – As of the 25<sup>th</sup> of the month prior to an MBEP Earning Month, a dealership must have passed the most recent Image Inspection. Retail Evolution, Exclusives and Exclusive Showroom dealerships must also pass the most recent Facility Type Inspection for the approved Facility Type of records by the 25<sup>th</sup> of the month prior to an MBEP Earning Month.
2. Training – Minimum 90% Certification requirements results as of the end of each sales close quarter will determine payouts for the following three MBEP Earning Months.
3. Mazda Service Scheduler (MSS-XTime) – By the end of the month prior to the MBEP Earning Month, meet enrollment requirement.
4. CX360 – During the three month period prior to the MBEP Earning Month, meet minimum performance requirement for record health measurement.
5. Mazda Courtesy Vehicle Program (MCVP) – During the three months prior to the MBEP Earning Month, maintain number of units required in MCVP objective for minimum of 80 percent of the days.

### 2.2 Earning Elements

#### Important Note

Each of the following MBEP Earning Elements are governed by unique Terms and Conditions, located in [Section 4](#).

#### 1. Brand Commitment

- Potential earnings are tiered based on facility type (Exclusive Retail Evolution, Exclusive, Exclusive Showroom). See [Mazda Facility & Image Site](#) for Mazda Facility Type Definitions Under Facility/RE tab.
- The Brand Commitment Element is paid monthly.
- Retail Evolution stores must achieve the following Element Qualifier for Retail Evolution level payment:
  - [Dedicated exclusive General Manager requirement](#)

#### 2. Customer Experience

- The Customer Experience Element is paid monthly. Customer Experience Element Qualifiers listed below must be achieved to be eligible for payout:
  - Meet minimum performance requirement for CX360 score (top 75% of dealers) or achieve an index score of 84 or higher. Requirements subject to quarterly adjustment.
  - Maintain minimum 75% Survey Health
  - Customer Experience Earning Qualifiers are assessed monthly but can be tracked and viewed daily within the MBEP website.

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## 2.3 Earnings Structure Overview

Earnings calculated on percentage of Base MSRP of eligible retail vehicles in a month, rounded to the nearest dollar.

Element	Facility Type			
	Exclusive (RE)	Exclusive (Non-RE)	Exclusive Showroom (ESR)	Dual
Brand Commitment	4.50%*	2.80%	1.00%	0.00%
Customer Experience	2.00%	2.00%	2.00%	2.00%

\* In addition to the Base Qualifiers, RE dealerships must achieve Exclusive Dedicated General Manager qualification to be eligible for RE level payout; otherwise earning will drop down to Exclusive level payout.

## 2.4 Program Payment Calculation

Payment amounts will be determined as follows:

At the close of each program month, based on the Mazda dealership's achievement of six Base Qualifiers noted in [Section 2.1](#), and any additional Element Qualifiers (General Manager for Retail Evolution, 75% Survey Health and Performance Requirement for CX360); all achieved Brand Commitment Element and Customer Experience Element target payments will be based on the Mazda dealer's Eligible New Vehicle Sales (described in [Section 2.5](#)) for the month.

Program Earnings and Payment Calculation EXAMPLES

### Scenario 1

	RE	EXCL	ESR	DUAL
<b>Base Qualifiers</b>				
- Facility Image & Inspection	Achieved	Achieved	Achieved	Achieved
- Training	Achieved	Achieved	Achieved	Achieved
- MSS X-Time	Achieved	Achieved	Achieved	Achieved
- MCVP	Achieved	Achieved	Achieved	Achieved
- CX360 Record Health	Achieved	Achieved	Achieved	Achieved
-				
<b>Brand Commitment Earning Element</b> [Dedicated GM -RE Only]	Achieved	Achieved	Achieved	Not Applicable
	4.5%	2.8%	1.0%	
<b>Customer Experience Earning Element</b>				
- Top 75 percentile index score	Achieved	Achieved	Achieved	Achieved
- Survey Health 75%+	Achieved	Achieved	Achieved	Achieved
	2.0%	2.0%	2.0%	2.0%
<b>Total Earnings</b>	6.5%	4.8%	3.0%	2.0%
<b>Payment example on \$26,500 vehicle</b>	\$1,723	\$1,272	\$795	\$530



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## Scenario 2

	RE	EXCL	ESR	DUAL
<b>Base Qualifiers</b>				
- Facility Image & Inspection	Achieved	Achieved	Achieved	Not Achieved
- Training	Achieved	Achieved	Not Achieved	Achieved
- MSS X-Time	Achieved	Not Achieved	Achieved	Achieved
- MCVP	Not Achieved	Achieved	Not Achieved	Not Achieved
- CX360 Record Health	Achieved	Achieved	Achieved	Achieved
-				
<b>Brand Commitment Earning Element</b> [Dedicated GM -RE Only]	Not Achieved	Not Achieved	Not Achieved	Not applicable
	0.0%	0.0%	0.0%	
<b>Customer Experience Earning Element</b>				
- Top 75 percentile index score	Achieved	Achieved	Achieved	Achieved
- Survey Health 75%+	Achieved	Achieved	Achieved	Achieved
	0.0%	0.0%	0.0%	0.0%
<b>Total Earnings</b>	0.0%	0.0%	0.0%	0.0%
<b>Payment example on \$26,500 vehicle</b>	\$0	\$0	\$0	\$0

## Scenario 3

	RE	EXCL	ESR	DUAL
<b>Base Qualifiers</b>				
- Facility Image & Inspection	Achieved	Achieved	Achieved	Achieved
- Training	Achieved	Achieved	Achieved	Achieved
- MSS X-Time	Achieved	Achieved	Achieved	Achieved
- MCVP	Achieved	Achieved	Achieved	Achieved
- CX360 Record Health	Achieved	Achieved	Achieved	Achieved
-				
<b>Brand Commitment Earning Element</b> [Dedicated GM -RE Only]	Not Achieved	Achieved	Achieved	Not applicable
	2.8%	2.8%	1.0%	
<b>Customer Experience Earning Element</b>				
- Top 75 percentile index score	Achieved	Achieved	Achieved	Achieved
- Survey Health 75%+	Achieved	Achieved	Achieved	Achieved
	2.0%	2.0%	2.0%	2.0%
<b>Total Earnings</b>	4.8%	4.8%	3.0%	2.0%
<b>Payment example on \$25,620 vehicle</b>	\$1,272	\$1,272	\$795	\$530

## 2.5 Eligible New Vehicle Sale

New Mazda vehicles reported sold and delivered to the Ultimate Consumer as defined in the Mazda Sales Policies and Procedures Manual under the following Sale Type Codes are Eligible Vehicle Sales under the Program:

- 'R' Retail Sales

### Retail Sales Date

For the purposes of MBEP, the Retail Sale Date is the date the Ultimate Consumer takes physical possession of a vehicle and signs the Delivery Checklist, not the date on which the selling Dealer reports the vehicle as sold to Mazda (RDR). New vehicle RDRs must be entered by the end of the 2<sup>nd</sup> calendar day following sales month close to be included in the month's payment; any RDRs entered later than two (2) calendar days post vehicle sales month but not later than 90 days post retail sales date will be processed in the following month; any RDRs entered later than 90 days will not be eligible for payments.

See Mazda Sales Policies and Procedures Manual for further information about sales reporting requirements.



## 2.6 Ineligible Vehicle Sale

All New Mazda Vehicles reported sold or placed into demonstrator service under any of the following Sale Type Codes shall not be eligible under MBEP, with the exception noted for Dealer Demonstrators and Final Reported vehicles.

- 'C' Commercial Sales
- 'L' Mazda Courtesy Vehicles (Service Loaners)
- 'F' Fleet Sales
- 'M' Mazda Special Sales
- 'D' Dealer Demonstrators
  - Dealer Demonstrators may become eligible under MBEP if the vehicle is actually sold at retail ("R" sale type code), delivered to the Ultimate Consumer, and reported as sold to Mazda, provided such sale meets the requirements of an eligible sale.
- 'P' Final Reported
  - Final Reported vehicles may become eligible under MBEP if the vehicle is actually sold at retail ("R" sale type code), delivered to the Ultimate Consumer, and reported as sold to Mazda, provided such sale meets the requirements of an eligible sale

Furthermore, any Mazda vehicle that meets any of the following criteria, regardless of the Sale Type, will not be eligible under the Program:

- A. Any vehicle purchased through or from an AutoAuction
- B. Any vehicle sold, transferred, and/or wholesaled to another dealership or another third party, where the vehicle is not delivered to the Ultimate Consumer by the Dealer
- C. Any vehicle sold, leased, or delivered to a resident outside the United States
- D. Any vehicle that has been in demonstrator or lease status at Mazda North American Operations
- E. A damaged vehicle that is nonsalable as a new vehicle to an Ultimate Consumer, e.g. a major damaged vehicle such as an MDV-2 (repairable only to used vehicle standards) or an MDV-3 (a total loss vehicle, not repairable to new or used vehicle standards)
- F. Any vehicle that has been declared a total loss, issued a salvage title, and/or been subject to an insurance pay-off (e.g. a vehicle that has been subject to theft, fire, collision, flood, tornado, hurricane, or other natural disaster)
- G. 'R' Sales to Dealer not meeting the terms of the MNAO Sales Policy
- H. Any vehicle sold to an entity with the intent to resell within three (3) months of the Retail Sale Date See

Mazda Sales Policies and Procedures Manual for further information.

## 2.7 Program Sales Reversal and Chargeback

An RDR reversal of an Eligible New Vehicle Sale(s) at any future date will result in a reduction of payment in the month the Reversal occurs and at the original amount paid.

## 2.8 Dealer Element Reporting Timing

There is no monthly reporting grace period for any qualifier. All Base Qualifier deadlines are final.

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## 2.9 Payment Timing

The monthly MBEP Earnings will be calculated by the 15th calendar day after the close of each MBEP month and will be available on the MBEP website and reports. Payments will be made by approximately the 20th calendar day after the close of each month.

## 2.10 Mazda Standard Accounting Guidelines


Acceptable Dealer Accounting Options - Mazda Dealers are requested to credit all MBEP Payments paid to the following financial statement accounts:

1. **Account 8027** – Mazda Retail Program – Brand
2. **Account 8028** – Mazda Retail Program – Cust. Experience

Dealer Accounting Options:


- A. **Accrual Basis Example:** Record your dealership-determined estimate of monthly MBEP Earnings when an Eligible New Vehicle is retailed. Debit Account 1139, Mazda Retail Program, monthly, and Credit estimated funds to the appropriate Mazda Retail Program Account as defined above.
- B. **Cash Basis Example:** Record monthly MBEP Earnings if a payment is received from Mazda for the program month. Debit Account 1003 Cash in Bank, and Credit the appropriate Mazda Retail Program Account as defined above.

\* See the Mazda Standard Accounting Guide for complete accounting guidelines located in [The Mirror – Select Support, then Accounting Manual](#):






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**Trend Analysis**  
KPI Ranking Analysis

Home » Trend Analysis ?

National / Region:	District:	Dealer:	Time Period:	From:	To:	Chart Value:
NTL - National ▼	All ▼	All ▼	Last 13 Months ▼	Feb '17 ▼	Feb '18 ▼	MTH - Monthly ▼




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## Section 3: Base Qualifier Details

### 3.1 Base Qualifier – Facility Image & Type Inspections

- All dealership facilities must pass any on-site facility IMAGE inspection and all RE, Exclusive and Exclusive Showroom facilities must also pass the applicable TYPE inspection.
  - Dealer submission of Acknowledgement & Agreement in the Mazda Facility and Image (MFI) Program is located on MXConnect in the [Mazda Facility & Image \(MFI\) site](#).
  - See On-Site Image Evaluation Process information on the [Mazda Facility & Image \(MFI\) site](#) accessible via MXConnect.
  - New dealers must schedule and pass MFI Inspections within 90 days of their activation date to be eligible to retain any earned MBEP Element Payments.
- Retail Evolution MBEP Facility Type Escrow Allowance
  - Dealers committed to an Exclusive Retail Evolution facility could be eligible for escrow allowances. See Mazda Retail Evolution Program Terms and Conditions for detailed overview of escrow eligibility.

\* All payments made are subject to chargeback should the dealership fail to complete its commitment to the Retail Evolution project or withdraw from the program. Contact your regional development department for more specific details.

### 3.2 Base Qualifier - Training

The Training Base Qualifier Requirement encourages Mazda Dealers to maintain a fully trained Mazda staff.

- Certification-requirement results from the prior sales-close quarter determine eligibility for the following three MBEP Earning Months.
- Dealerships are expected to maintain ONE HUNDRED PERCENT (100%) of their eligible personnel as ONE HUNDRED PERCENT (100%) "Certified". MNAO recognizes that due to turnover and changes that occur due to normal business operations, there may be points in time when the level drops below 100%. To account for these instances, the minimum training Base Qualifier shall be NINETY (90%) of eligible personnel who must be ONE HUNDRED PERCENT (100%) Certified. Because the Training Qualification Requirement has been reduced to NINETY PERCENT (90%), any percentage below NINETY PERCENT (90%) shall not meet the Training Base Qualifier, including any deficiencies later determined upon audit of company personnel records. A Dealer may not submit an appeal for failing to meet the NINETY PERCENT (90%) level.
- **Source of certification calculation will be web report M803391-1.**
- Required primary job codes are listed in the [chart below](#).
- Training requirements are updated at the beginning of each quarter, and training must be completed by the end of the quarter prior to the new MBEP Earning Month. Applicable Sales, Service, Parts, Warranty, and Technical employees should refer to the current Certification Catalog on *Mazda State* for a list of identified and required training.
  - Dealers are responsible for entering into the eMDCS Personnel system accurate, up-to-date employee personnel information as of the date of hire.
    - ☐ In the event dealership personnel are employed at two or more dealerships with common ownership, the employee's information in the eMDCS Personnel system at each dealership is required to be an exact match. The employee's associated training information will be listed only on the Mazda State Personnel list of the primary dealership.
    - ☐ If a Warranty Administrator is an employee of record at a Mazda dealership and performs warranty administration for multiple Mazda stores with common ownership, the employee is

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required to have identical eMDCS information at each dealership. If the eMDCS information is identical, the training records on Mazda State will follow the employee.

- ☐ If a Warranty Administrator is a Contractor or Consultant and not an employee of record at any Mazda dealership, these individuals should use job code D999 at each dealership.
- ☐ Any employee in Mazda's eMDCS records re-hired at the same dealership or an affiliated dealership within 30 days of a prior termination from the same or an affiliated dealership may result in an audit.
- ☐ Employee training records are available on Web Report M803391-1 to track employee completion and grace period status.
- ☐ Additional Training Base Qualifier Compliance Policy can be found in Section 5.
- New, Re-hire and Existing Employees Defined
  - ☐ A new employee is defined as a person who has never been employed by a Mazda dealership and not already listed in Mazda's eMDCS Personnel records.
  - ☐ A re-hire employee is defined as a person who has been previously employed by any Mazda dealership and listed in Mazda's eMDCS Personnel records.
  - ☐ An existing employee is defined as a person who is currently employed by a Mazda dealership and is currently listed in Mazda's eMDCS Personnel records.

Eligible eMDCS Primary Job Codes/Titles		
	Job Code	Title
1	D101	Sales Director
1	D102	Sales Manager
1	D103	Assistant Sales Manager
1	D106	Fleet Manager
1	D108	F&I Manager
1	D111	Sales Consultant (New)
1	D120	Internet Sales Manager
1	D121	Internet Sales Consultant
1	D199	Other New Vehicle Sales
10	D201	Used Car Sales Director
11	D202	Used Sales Manager
12	D211	Used Sales Consultant
13	D299	Other Used Car
14	D300	Service & Parts Director or Manager
15	D301	Service Director
16	D302	Service Manager
17	D303	Assistant Service Manager
18	D306	Customer Relations Manager
19	D309	Customer Relations Coordinator
20	D311	Service Consultant
21	D328	Warranty Admin
22	D350	Technician
23	D400	Parts & Service Director/Manager
24	D401	Parts Director
25	D402	Parts Manager
26	D403	Assistant Parts Manager
27	D411	Lead Counter Person
28	D412	Parts Consultant/Counter Person

- **Training Grace Periods** – The following grace periods are in place for employees to complete the required training courses:
  - **Changes to Required Training Courses** - Due to the introduction of new products, methods, and technologies, training courses frequently change. Mazda reserves the right to change or amend existing courses at any time in its sole and absolute discretion. Mazda shall communicate changes to

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required certification via Mazda's Dealer Email system. Mazda will add new Web-Based Training (WBT) courses into the dealer certification path no less than 30 days before the end of the quarter to allow dealer employees time to complete the training requirements. All eligible job codes and titles must complete new training as set forth below:

- ☐ Active Sales, Service, Parts, Warranty, and Technical employees must complete required courses prior to the end of the quarter preceding the MBEP Earning Month\* to meet training requirement.
- **New Employees:**
  - ☐ New Sales, Service, Parts, Warranty and Technicians (D350) will have a 60-day grace period to complete training requirement.
- **Re-hired Employees** – When an individual is re-hired by a different dealership than the most recent dealership from which employee was terminated:
  - ☐ Re-hired Sales, Service, Parts, Warranty, and Technicians (D350) will have a 60-day grace period to complete training requirement.
- **Re-hired Employees** – When an individual is re-hired by the same dealership from which employee was most recently terminated:
  - ☐ Employees re-hired within 60 days of termination must complete training requirement; no grace period applies.
  - ☐ Sales, Service, Parts, Warranty and Technicians (D350) employees re-hired 60 or more days after termination will have a 60-day grace period to complete training requirement.
- **Existing Employees Transitioning to Technician (D350).**
  - ☐ Sales, Service, Parts, and Warranty will not have a grace period.

\*Note: Dealers are expected to monitor the employee training levels carefully. All employees not otherwise eligible for a grace period will be counted in determining the NINETY PERCENT (90%) of all employees being ONE HUNDRED PERCENT (100%) "Certified." Accordingly, dealership training levels should be monitored closely when an employee joins a dealership's staff.





### 3.3 Base Qualifier – MSS XTime

The Mazda Service Scheduler (MSS/powered by XTime) Base Qualifier requires Mazda dealers to provide customers with the ability to schedule their service appointments online, at their convenience. All Mazda dealers must meet the MSS XTime enrollment requirement as of the end of the month prior to the MBEP Earning Month.

- a. A dealer is considered to meet the Mazda Service Scheduler (MSS) requirement by having an executed MSS contract with XTime and are paying all monthly fees. If a dealership received payment based on enrollment but is not paying monthly fees, the dealership will be charged back for the monies paid.
- b. Any dealership that is participating in the MSS program and cancels their MSS program participation at any point will be ineligible for participation in the MBEP program for all future months in which the dealer does not activate the MSS system. Dealers that re-enroll within the month will be considered enrolled for that month, or the month that they re-enroll. Re-enrollments must be approved by Mazda Service Field Operations.
- c. For purposes of meeting this Mazda Service Scheduler Base Qualifier, new dealers are defined in [Section 3.3](#). New dealers must be enrolled in the MSS program prior to the end of the month following activation of the new dealer.

### 3.4 Base Qualifier – CX360

Dealers must meet minimum performance requirement for Record Health measurement during the 3 month period prior to the MBEP Earning Month. Due to pre-qualification timing, performance requirement established as follows: 75% April 2018 – June 2018 Record Health; 80% beginning July 2018.

MBEP Earning Month	Survey Period	Objective
July	Apr-Jun	75%
Aug	May-Jul	75%
Sep	Jun-Aug	75%
Oct	Jul-Sep	80%

Note: Any dealer who has not established a minimum of three (3) months of record health history will automatically qualify for the record health base qualifier.

- d. The percentage of total records (RDRs and ROs) submitted by the dealership with an invalid email, missing email, or bounced/failed email will be calculated. This percentage will be subtracted from 100% to calculate the percentage of “healthy” records. Dealerships must achieve a minimum of 80% Record Health to be eligible for payment. Example:
  - A dealership has 20 RDRs and 100 ROs. 6 RDRs have invalid email addresses and 16 ROs have invalid email addresses. The dealer has no missing, bounced/failed emails.
  - The percentage of invalid email addresses is (6 RDRs + 16 ROs)/120 Total RDRs & ROs = 18.3%
  - Record Health = 100% - 18.3% (unhealthy records) = 81.7%, so dealer meets record health



### 3.5 Base Qualifier – Mazda Courtesy Vehicle Program

The Mazda Courtesy Vehicle Program (MCVP) is designed to assist Mazda dealers in providing new Mazda vehicles for courtesy vehicle usage. The goal is to promote owner retention and Mazda owner loyalty. Increasing owner loyalty through MCVP will improve Mazda dealers' short and long-term business performance. In order to achieve the MBEP Courtesy Vehicle Program Base Qualifier, the dealer must maintain the number of units required in MCVP objective for a minimum of 80 percent of the days in rolling three calendar-month period ending the month prior to the MBEP Earning Month.

- a. Maintain active/available minimum number of vehicles in MCVP service per objective established at the beginning of each quarter.
- b. Dealership must have in active service the required number of Mazda loaner vehicles for a minimum 80% percent of days in a standardized rolling 90-day period. Mazda will determine the proper number of loaner vehicles required for each dealer based on warranty, recall, and customer pay repair order volumes. See [Mazda Courtesy Vehicle program](#) rules for details. Note: Percent of days to be reviewed at the start of each quarter and are subject to potential adjustment by MNAO.
  - A dealership's minimum loaner fleet size is calculated using a combination of warranty RO volume and customer pay RO volume, and may change periodically. Each dealer's minimum loaner fleet size will be communicated by Mazda Field Operations and the dealer's regional office.
  - Dealership must use the Mazda-identified courtesy vehicle management system as the identified software will track and report service fleet usage and track courtesy vehicle fleet operations.
  - In examples below:
    - Dealer A meets the MBEP requirement for the rolling 3-month period with 10 or more MCVP units in stock 81 of 90 days, exceeding the 80% requirement
    - Dealer B does not meet the MBEP requirement for the rolling 3-month period with only 68 days stocking 10 or more MCVP units, meeting only 76% and not achieving the requirement

Required MBEP Stock										10		Target # days with MBEP Stock at or above requirement (80% of 90 days)																				72	
Month 1 of Rolling 3-Month Period																														Month			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	Stock Met	
Dealer A		10	10	10	10	10	10	10	10	10	10	10	10	10	10	8	8	8	10	10	10	10	10	10	10	10	10	10	10	10	10	27	
Dealer B		6	6	6	8	8	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	25	
Month 2 of Rolling 3-Month Period																														Month			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	Stock Met	
Dealer A		10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	30	
Dealer B		12	12	12	12	12	12	12	12	12	12	9	9	9	9	9	9	9	9	9	12	12	12	12	12	12	12	12	12	12	12	21	
Month 3 of Rolling 3-Month Period																														Month			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	Stock Met	
Dealer A		10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	7	7	7	7	7	7	24	
Dealer B		12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	8	8	8	8	8	9	9	9	9	12	12	12	22	
Total Rolling 3-Month Period Days Achieved																														3-Months			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30		
Dealer A		3	3	3	3	3	3	3	3	3	3	3	3	3	3	2	2	2	3	3	3	3	3	3	3	2	2	2	2	2	2	81	Achieved
Dealer B		2	2	2	2	2	3	3	3	3	3	2	2	2	2	2	2	2	2	1	2	2	2	2	2	2	2	3	3	3	3	68	Not Achieved

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- c. For purposes of meeting the MCVP Base Qualifier, new dealers are defined in Section 5.1 on page 21. New dealer MCVP objective participation as it pertains to MBEP will be set at one unit during the initial three months as an active Mazda dealer

NOTE: The MCVP stocking requirement for MBEP is completely separate and distinct from the utilization requirement under MCVP. MCVP requires vehicles to be in use in order to qualify for payment under MCVP. The MCVP stocking requirement for MBEP requires a certain number of units to be in stock. A dealer could potentially qualify under MCVP because units stocked are in use, but fail under MBEP because there are not enough units. Likewise, a dealer could qualify under the stocking requirement for MBEP because there are enough units in stock, but fail to qualify under MCVP because the units are not being used.



## Section 4: Earning Element Qualifiers

A dealership meeting all six Base Qualifiers in [Section 2.1](#) may also need to comply with individual Element Qualifiers.

### 4.1 Earning Element – Brand Commitment: Retail Evolution Only

The MBEP program includes an Earning Element centered on Brand Commitment, and payments are structured based on dealer facility type (Exclusive Retail Evolution, Exclusive, Exclusive Showroom).

#### Eligibility:

Once qualifying as a Retail Evolution Dealership (per Mazda's RE Image Guidelines), a Retail Evolution Dealer must also meet the General Manager Qualifier set forth below. If the RE dealership does not achieve this additional Element Qualifier, they will be eligible for payment at the Exclusive facility level.

- All Retail Evolution dealerships will be required to have a Mazda-approved **Dedicated Exclusive General Manager (GM)**
  - a. GM requirement confirmed at time of annual Mazda Facility & Image Inspection and during any visit by a Mazda field manager. Mazda reserves the right to confirm GM at any time.
  - b. Mazda evaluation and approval process can take up to 30 days to complete.
    - If 2 or more unqualified candidates declined, Mazda reserves the right to disqualify dealer from this element for a period of time once approved candidate is in place.
- Requirement will take effect for the January 2019 MBEP Earning Month. Dealers will be required to have a dedicated exclusive GM approved by Mazda and in place no later than December 24, 2018.
  - a. Turnover: After December 24, 2018, Dealers will have 90 days from activation date to replace previous dedicated exclusive GM with a new dedicated exclusive GM approved by Mazda and in place.
    - Note: DP must notify region office (Zone Manager) within 5 days of any GM separation (terminated, resigned, incapacitated, death, etc.) This notification starts the 90-day GM replacement period. If DP fails to notify and region becomes aware of GM separation, region will initiate the start of the 90-day replacement period.
- Non-compliance Process:
  - a. If region believes GM at a dealership does not meet Dedicated GM requirement they will:
    - Notify DP in writing of the concern and ask DP to correct
    - If not resolved to region satisfaction within 30-days, region will notify corporate office and send certified letter to dealer outlining the concern(s) and the date the dealer was made aware. This starts a 60-day cure period. If not resolved after 60-day cure period, dealer is reclassified as exclusive, non-RE.
- Dealers not meeting requirements will be disqualified for RE level payout of Brand Earning Element, and will drop down to Exclusive dealer level payout.



## Definition of Exclusive General Manager (GM)

In addition to Official General Manager Requirements:

- Individual whose role is to oversee all aspects of the Mazda dealership operations
- GM may not serve in this or any capacity for any brand other than Mazda
- GM may be approved for up to two (2) Mazda dealerships in the same metro market
- GM will be located on-site with a dedicated office at the Mazda dealership
- GM must participate in Mazda Brand Immersion event (details/timing in development)
- A Mazda Dealer Principal may also be the Mazda General Manager as long as they meet all other exclusivity requirements
  - If the Mazda DP is acting as the Mazda GM, they may not act as GM for any other brand
  - If the Mazda DP is acting as the Mazda GM, they may only act as GM for up to two (2) Mazda dealerships in the same metro market
  - DP acting as GM must be available to make timely decisions on all key operational matters (Advertising, Customer Experience, Personnel, Inventory, Training, etc.)
  - In event DP does not meet any of these requirements, dealership will be subject to same warning and MBEP consequences as if a GM was not meeting requirements.
- The Mazda General Manager must be officially recognized on the Mazda Dealer Agreement
- The Mazda General Manager must have full decision making ability and full authority to act on behalf of the Mazda dealership with Mazda.

## 4.2 Earning Element Qualifier – Customer Experience

The Customer Experience Earning Element of MBEP encourages Mazda Dealers to engage in activities that promote and enhance the Mazda customer experience at the dealership. The Dealership must meet minimum performance levels in CX360 Index and Survey Health metrics. Note: Any dealer who has not established a minimum of three (3) months of record health history will automatically meet the CX360 Index and Survey Health requirements. Note: CX360 achievement for both Index and Survey Health will be based on calendar month-end; earnings will be calculated on retail sales occurring within the vehicle sales month close.

1. **Dealerships must achieve an index score that ranks in the Top 75<sup>th</sup> percentile of MBEP dealerships during the 3 month period prior to the MBEP Earning Month.** The percent of dealerships meeting the requirement is subject to quarterly adjustment. Note: If a dealership achieves a CX360 Index Score of 84 or higher, the dealership will not be subject to the percentile calculation (25<sup>th</sup> percentile or higher), but is still subject to the Survey Health requirements. Qualifying Index score is subject to quarterly adjustment.
  - a. The index score is based on equal weight of eight sales and service questions. Customers can answer questions on a scale of 0-10 (10 being the highest). For MBEP, responses to the eight questions are categorized into "Promoters" (9 and 10 responses), "Passives" (7 and 8 responses), and "Detractors" (0-6 responses). An index score for each question is calculated by subtracting the percentage of Detractors from the percentage of Promoters. The dealership's CX360 Index Score is then calculated by taking the average of the four sales index scores and the four service index scores:
    1. Sales: Finance Manager had my best interests in mind during the financing process
    2. Sales: A Mazda team member explained the vehicle features that matter to me
    3. Sales: A Mazda team member made me feel excited about my vehicle purchase
    4. Sales: I was educated on where to get more information about my vehicle
    5. Service: The effort to check In my vehicle met my expectations
    6. Service: Service Advisor treated me as a valued customer
    7. Service: I was satisfied with the amount of time it took to service my vehicle
    8. Service: I received good value for the cost of service

- b. The bottom 5% of Sales surveys and the bottom 5% of Service surveys will be removed on the last day of each month at midnight Pacific Time. Survey removals are rounded down to a whole survey (1 survey removal for every 20 surveys). Surveys will be removed from each interval – not retroactive to prior intervals. The survey removal process will be applied prior to CX360 Index Score calculation and Percentile Calculation
  - If a dealership's survey volume does not generate a whole survey removal, 100% of the dealership's surveys will be counted (example: 19 Sales surveys = 0.95 surveys, short of 1 whole survey removal)
  - No requests for survey removal outside of the defined process will be considered
- c. Dealerships must have at least one survey (sales or service) returned with any of the eight CX360 Index questions answered to calculate a CX360 Index Score
  - In the unlikely event that a dealership does not have any sales or service surveys with at least one question during the quarter, dealership performance will not be able to be calculated for that period; therefore the dealership will not qualify for the CX360 component for that period.
  - Note that although only one survey needs to be returned, the number of survey invitations sent out is subject to record health.

### Important Note:

Surveys that receive a "Yes" response to the question, "Did anyone show you or talk to you about this survey?" will be removed from score calculation.

### Example Calculation of CX 360 Index score for one Sales question

5 customers respond to the Sales question, "A Mazda team member explained the vehicle features that matter to me" as follows:

- |               |                                  |
|---------------|----------------------------------|
| • Customer #1 | 8 out of 10 (Passive response)   |
| • Customer #2 | 10 out of 10 (Promoter response) |
| • Customer #3 | 9 out of 10 (Promoter response)  |
| • Customer #4 | 2 out of 10 (Detractor response) |
| • Customer #5 | 9 out of 10 (Promoter response)  |

5 total survey responses: 3 Promoters, 1 Passive, 1 Detractor.

The percentage of Promoters is 3 Promoters divided by 5 total survey responses ( $3/5=60\%$ ) The percentage of Detractors is 1 Detractor divided by 5 total survey responses ( $1/5=20\%$ )

The CX360 Index score is the Percentage of Promoters less the Percentage of Detractors: 60% Promoters - 20% Detractors = 40 Index Score



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## Example Calculation of the CX 360 Index Score for a Dealership

<u>Question</u>	<u>Example Index Score</u>
<b>Sales</b>	
Finance Manager had my best interests in mind during the sales process	71.4
A Mazda team member explained the vehicle features that matter to me	42.9
A Mazda team member made me feel excited about my vehicle purchase	42.9
I was educated on where to get more information about my vehicle	57.1
<b>Service</b>	
The effort to check in my vehicle met my expectations	81.2
Service Advisor treated me as a valued customer	87.5
I was satisfied with the amount of time it took to service my vehicle	62.5
I received good value for the cost of service	68.8
Total	514.3
Divided by number of questions	8
<b>Index</b>	<b>64.3</b>

Note: For the purpose of dealer percentile ranking, multiple decimal places will be utilized.

## 2. Dealerships must achieve a minimum of 75% Survey Health during the 3 month period prior to the MBEP Earning Month to be eligible for payment of the CX Brand Element.

- a. The percentage of surveys received for a dealership with the following responses will be calculated and the percentage will be subtracted from 100% to determine the percentage of "healthy" surveys:

- "Please confirm that you are the owner or driver of this vehicle." NO
- "Did anyone show you or talk to you about this survey?" YES

Example: A dealership has 100 surveys. 1 response indicates they are not the owner or driver of the vehicle and 10 responses indicate that someone showed or spoke to them about the CX360 survey. The percentage of invalid surveys is  $(1+10)/100 = 11\%$ ;  $100\% - 11\% = 89\%$  - dealer meets Survey Health.

Note:

There are conditions in which CX360 will not send a survey invitation to a customer. These conditions are intended to create an environment to achieve the following objectives: provide a positive customer experience in the process of gathering customer feedback, reduce survey fatigue, and capture accurate customer feedback. Below are the conditions in which invitations will not be sent to a customer:

- Ineligible Customers: E-Plan sales, Fleet vehicles, Branded VINs, Dealer-owned vehicles, ROs with Body Shop job codes, Buy Backs, Businesses, Dealership employees, ROs submitted as warranty claims outside the warranty period (e.g., recalls, goodwill, etc.), customers on Do Not Contact list. See CX360 for complete list of survey reject conditions.
- Survey Quarantine: There is a quarantine period of 90 days before an email address will be sent another survey invitation (for both Sales and Service invitations). For Service survey invitations, there is also a quarantine period if an email address has received a Sales survey invitation in past 30 days.
- Any other reject reason as outlined in the CX360 program parameters.



## Section 5: New and Terminated Dealers

### 5.1 Definition of New Dealer for the purpose of MBEP

MNAO defines a "New Dealer" as an active Mazda Dealer that satisfies one or both of the following two category descriptions:

1. **Open Point** – A dealer who is newly appointed to represent the Mazda brand in a previously unfilled Statistical Observation Area ("SOA") is considered a "New Dealer". A current Mazda dealer which is appointed to represent Mazda in a previously unfilled SOA through relocation shall not be deemed a "New Dealer."
2. **Ownership Transfers** – If there is an ownership transfer, in order to qualify as a "New Dealer" the acquiring persons (identified as the natural persons owning an interest in the dealership entity) must meet all the following criteria:
  - a. Acquiring owner(s) did not 1) own more than ten percent (10%) of the selling dealership, or 2) were not related to a person (spouse, parent/child, sibling, first cousin, grandparent/grandchild, aunt or uncle/nephew or niece) owning more than ten percent (10%) of the selling dealership; and
  - b. Acquiring owner(s) did not materially participate in the operations of the selling dealership (i.e. was not a Dealer Principal, General Manager, or other substantial role in selling dealership).

NOTE: MNAO reserves the right to amend or modify its New Dealer Definition in the event a transaction may circumvent the technical definition of New Dealer. All questions of eligibility or any other matter relating to interpretation, scope, or application of the "New Dealer" definition and related allowances will be determined by MNAO in its sole and absolute discretion. All such decisions shall be final.

### 5.2 Earning Element Objectives for New Dealers

New Dealers will receive objectives for Earning Elements based on the objective methodology outlined within this document.

### 5.3 Terminated Dealers

A terminating dealer will be paid the MBEP Payment earned, if any, for the most recent complete program month for the Brand Commitment and Customer Experience Earning Elements. There will be no payment for partially completed months. The payment will be applied to the parts statement of the terminating dealer.



## Section 6: Compliance and Audit Policy

### 6.1 Overview

The purpose of the Mazda Brand Experience Program (MBEP) is to encourage the Mazda Dealer Network to provide customer experiences that result in increased Mazda Owner Loyalty and Dealer Profitability. It is critically important that Mazda Dealers and Mazda have a high degree of confidence in the integrity of MBEP. Any non-compliance with MBEP Terms and Conditions or any attempt by dealers to create artificial results undermines the integrity of the program. This Compliance and Audit Policy applies to all MBEP program dealers.

### 6.2 General Compliance Policy Statement

Any action taken by a Mazda Dealership, its employees, consultants, or agents, which results in attainment of any MBEP Earning Element targets in a manner that does not comply with MBEP Terms and Conditions or is otherwise the result of efforts to manipulate or artificially influence result(s)/score(s) is prohibited and will be considered a violation of MBEP Terms and Conditions.

### 6.3 Acceptable/Unacceptable Practices

Dealers should take all steps necessary to advise all relevant dealer personnel of MBEP Terms and Conditions to help ensure dealer remains in compliance. Furthermore, Dealers should avoid anything that could be construed by Mazda as attempting to improperly attain a MBEP Earning Element target and payment.

Important Note: Because of the financial payment being made to Dealer, Dealer ownership and management are responsible for violations of these standards by their employees and agents, regardless of whether the Dealer ownership and/or management is aware of the violation at the time it occurs.

#### 6.3a Examples of Acceptable/Unacceptable Practices

In addition to the examples set forth in [section 6.6](#) below, you may refer to the Terms and Conditions for each MBEP Element and/or individual MNAO policies and procedures for specific examples of acceptable and unacceptable practices.

The examples are for illustration purposes only and are NOT intended to be a comprehensive list — any practice which violates the Policy, as per Mazda's sole and absolute discretion, is a violation.

### 6.4 Monitoring Policy Compliance

Compliance is monitored in a variety of ways, including, but not limited to:

- Observation by any Mazda personnel. Mazda will require that Mazda personnel report suspected manipulation.
- Report from a customer
- Report from a dealership employee
- Tracking of key data indicators for out-of-norm patterns that may indicate manipulation
- Review of MBEP Element specific trending reports (Red Flag Reports) for any unusual trends

#### 6.4b Red Flag Reporting Examples

- Mazda tracks the long term Mazda Dealer Personnel User IDs, associated job codes and training records. Unusual patterns will be flagged.
- Mazda tracks all records associated with new vehicle VINs using internal and partner databases. Unusual patterns for a VIN in systems used to maintain VIN history such as RDRs, reversals, registrations or warranty will be flagged.
- Mazda tracks the service records of a vehicle VIN and may cross reference other internal and partner databases with the service VIN. Unusual patterns will be flagged.



## 6.5 Compliance – Audit Program

All participating Mazda Dealers must acknowledge Mazda's Brand Experience Program (MBEP) Compliance and Audit Policy at time of MBEP enrollment via Terms and Conditions acknowledgement.

**MNAO reserves the right to decide any question of eligibility or any other matter relating to the interpretation, scope, or application of the MNAO MBEP Policies or any program rules, at its sole and absolute discretion, and such decision shall be final and binding upon all Dealers. MNAO further reserves the right to:**

- A.** Inspect all Dealer records and interview individual(s) who reported suspected Manipulation and disqualify any item for non-compliance, **and**
- B.** Chargeback a Dealer for any and all payments received for any non-compliant transaction
- C.** Charge a Dealer for any and all MNAO costs and employee expense incurred as a result of an MNAO audit inspection,
- D.** Remove a dealer from eligibility for programs such as Presidents Club and Gold Cup, **and**
- E. Suspend a Dealer from MBEP program eligibility for one or more quarters**

To help ensure compliance with the MBEP Terms and Conditions, the Mazda Audit Department will regularly perform Field Audits of selected dealers.

Upon completion of any audit, the Mazda Audit Department will issue a formal written report to dealer management. The report will include a detailed summary of all identified program violations and potential chargeback amounts.

## 6.6 Violation and Forfeitures

Violations of the MBEP Compliance and Audit Policy will be categorized as either Type A or Type B as defined below:

### Type A Non-Compliance

- Intentional/knowing non-compliance
- Falsification of data or documents
- High volume of similar non-compliance
- Repeat of Type B violations (within 12 months)
- Missing registrations (where it is not possible to validate the vehicle registration)
- Dead deals non-reversed
- Sale date discrepancies
- Export sales
- Unsupported Claims (e.g. lack of proper documentation, punch time support)
- Other substantial non-compliance as determined by MNAO

### Type B Non-Compliance:

All non-compliance other than Type A

## Penalties for Non-Compliance – Type A

1. First offense

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- A. Chargeback of the month(s) MBEP Element payments for any and all of the individual MBEP Element(s) affected by reversal of result(s)/score(s) found to be non-compliant. Chargeback for violations apply to payments for only the month(s) affected.
  - B. Chargeback of the month(s) MBEP Element payments for all other MBEP Element(s) dependent on the achievement of the MBEP Element chargeback for non-compliance.
  - C. Exclusion from dealership recognition programs and all associated benefits for the calendar year of audit resolution based on audit report date. Dealership recognition programs include, but are not limited to the following: President's Club, Gold Cup.
  - D. Dealership required to meet **Element Payment Validation** requirements for two full months from the date of audit resolution to receive payment based on audit report date. Element Payment Validation is a screening process of dealership actions prior to payment. If the dealership qualifies for payment based on MBEP program metrics, the dealership must have their activity validated to ensure no non-compliance actions resulted in metrics achievement.
    - i. MBEP Element payments will be held in escrow until Element Payment Validation is complete. Element Payment Validation will apply only to the Element(s) of non-compliance.
    - ii. Any MBEP Element(s) dependent on the Element Payment Validation will also be held in escrow until Element Payment Validation is complete.
    - iii. Element Payment Validation for payment will be completed within 90 days of the end of the MBEP month. Qualified payments upon successful Element Payment Validation will be made with the next MBEP payment.
    - iv. Two full months apply to months where the dealership would have qualified for payment based on MBEP program metrics. Months where the dealership did not qualify for payment based on MBEP program metrics do not count as a month for the Element Payment Validation requirement.
    - v. Failure to meet Element Payment Validation requirements will result in forfeiture of Element funds and any dependent Element funds.
    - vi. Upon successful completion of the two full months of Element Payment Validation, the dealership will no longer be required to continue with Element Payment Validation as long as the dealership remains compliant with program terms and conditions.
    - vii. MNAO reserves the right to exclude any personnel awards based on the non-compliance infraction. Personnel awards include, but are not limited to the following: trips (e.g., President's Club trip, Manager trips, etc.), financial incentives (e.g., Salesforce Loyalty Program, Customer Experience Expert Program), and award points.
2. Additional Offense(s)
- A. All penalties under the First Offense will be reapplied;
  - B. Dealer may be suspended from MBEP eligibility for one or more month; and
  - C. Dealership will be required to meet Element Payment Validation requirements for four full months from the date of audit resolution.



## Penalties for Non-Compliance – Type B

1. First offense
  - A. Chargeback of any and all of the individual MBEP Element(s) affected by reversal of result(s)/score(s) found to be non-compliant. Chargeback for violations apply to payments for only the month(s) affected.
  - B. Chargeback of the month's MBEP Element payment for all other MBEP Element(s) dependent on the achievement of the MBEP Element charged back for non-compliance.
2. Second Offense
  - D. All penalties under the First Offense – Type A will be applied
3. Three or More Additional Offense(s)
  - E. All penalties under the Two or More Additional Offense(s) – Type A will be applied

### Important Notes

Any/all non-compliance with MBEP Terms and Conditions is considered an "Offense". Dealers may be considered to have additional offenses as a result of separate incidences of non-compliance that are not limited to the same violation as the First Offense or violation of the same MBEP Element.

If audit results determine a dealer to be in violation of the MBEP Terms and Conditions for multiple Elements in the same month, that dealer will be considered to have multiple offenses and will be subject to immediate suspension from MBEP eligibility for one or more months. Similarly, if audit results determine a dealer to be in violation of the MBEP Terms and Conditions for multiple months during the same audit, that dealer will be considered to have multiple offenses and will be subject to immediate suspension from MBEP eligibility for one or more months.

Due to the monthly qualifier and payment period program structure, offenses will be tracked for the duration of the MBEP program. If a dealer remains in compliance for any period of time, but subsequently has a second (or third) offense, penalties for the second (or third) offense will be applied. Offenses will not be reset regardless of the extent of time in compliance.

## 6.7 Dealer Initiated Appeal for review of Monthly Results/Program Achievement

A process is available to dealerships to address potential errors in an Earning Element(s) calculation(s) causing them not to achieve their objective(s).

Dealers must submit an Appeal to the Mazda Brand Experience Program (MBEP) manager.

- A. Dealer must provide clear and convincing evidence that an element was achieved in a manner consistent with the MBEP Terms and Conditions.
- B. The MBEP manager will review appeal documentation and make a conclusion as to "Accept" or "Deny" the appeal. Thereafter, the MBEP manager will send a formal written response to the dealership in question.
- C. If after receiving the results of the MBEP managers' review, the Dealer continues to believe their MBEP performance has not been accurately calculated or there are other factors affecting the dealers eligibility for payment under MBEP they have the option of submitting an Executive Appeal. All Operational Executive Appeals should be directed to the MBEP manager.
- D. The Mazda Executive Appeals Committee will review the information provided by dealer and make a decision as to "Accept" or "Deny" the 2<sup>nd</sup> level appeal. Thereafter, a formal written response will be sent to the dealer.
- E. If the Mazda Executive Appeals Committee "Accepts" the 2<sup>nd</sup> level appeal, a reimbursement for the amount of the chargeback already made will be initiated.

### Important Notes





- A. Dealer Operational Appeals must be made in writing to the national MBEP manager within 30 days of Quarterly Program close
- B. MBEP manager will notify dealer of appeal status within 90 days of receipt
- C. In the event of an Operational Executive Appeal, the Executive Appeal Committee will render a decision and provide response to dealer within 60 days of its receiving appeal
- D. Mazda reserves the right to charge the Dealer for any and all of Mazda's costs and employee expenses of auditing and/or administrative costs of adjusting records regardless of outcome of Dealer Appeal process

### **6.8 Dealer Audit Appeals**

A two-level appeal process is available to dealerships who incur a chargeback for a violation identified through an Audit (see Important Notes below for timing requirements). The first appeal option is referred to as a Level 1 Appeal. The second appeal option is referred to as a Level 2 Appeal or Executive Appeal. Dealers must pursue a Level 1 appeal before pursuing a Level 2/Executive Appeal.

To initiate a Level 1 Appeal, Dealers must submit a written request for Appeal to the Mazda Manager, Audit.

- A. Dealer must provide clear and convincing evidence that a violation of MBEP Terms and Conditions did not occur.
- B. The Mazda Manager, Audit will review appeal documentation and make a conclusion as to "Accept" or "Deny" the appeal. Thereafter, the MNAO Manager, Audit will send a formal written response to the dealership in question. For dealers that have already been charged back and the appeal is "Accepted" by the Manager, Audit a credit will be processed on behalf of the dealer for the appropriate amount and the relevant items will be removed as "offenses".
- C. In the event the Dealer continues to disagree with the findings of the audit and/or Level 1 appeal decision, the Dealer has the option of submitting a Level 2/Executive Appeal. Dealer may submit any new supporting documentation if available.
- D. The Mazda Executive Appeals Committee will review the evidence provided by dealer and make a decision as to "Accept" or "Deny" the appeal. Thereafter, a formal written response will be sent to the dealer management.
- E. If the Mazda Executive Appeals Committee "Accepts" the appeal, a request to reimburse the dealer for the amount of the chargeback will be made (if previously charged back). If the Committee "Denies" the appeal, a chargeback will be processed for the impacted Dealer (unless previously charged back). If the Mazda Executive Appeals Committee "Accepts" the appeal, the violation will similarly be removed as an "offense."

# MAZDA BRAND EXPERIENCE PROGRAM



## Important Notes

- A. All Appeals must be made in writing to the Mazda Manager, Audit within 30 days of the date on the Audit report or within 30 days of the date of a Level 1 Appeal decision
- B. The Audit Manager will evaluate the merits of the Level 1 appeal and notify the Dealer by letter of the final resolution within 90 days of receipt of all required information. Failure to respond within 90 days will not result in a removal of the chargeback amount.
- C. In the event Dealer continues to disagree with the audit findings and/or Level 1 appeal outcome, dealer may submit a final appeal to the Executive Appeals Committee ("Committee"). This appeal is referred to as a Level 2 or Executive Appeal. To pursue a Level 2/Executive Appeal, please submit a letter of appeal to the Audit Manager for review by the Committee, within 30 days of receiving the Audit Manager's Level 1 appeal decision. The Committee will review the Level 2/Executive Appeal and respond within 60 days with the final determination. Failure to respond within 60 days will not result in a removal of the chargeback amount.
- D. Mazda reserves the right to charge the Dealer for any and all of Mazda's costs and employee expenses of auditing and/or administrative costs of adjusting records regardless of outcome of appeal process

## **6.9 Training-Specific Compliance**

In addition to general compliance shown in Section 6, the following compliance information applies to the Training Base Qualifier: Any action taken by a Mazda dealership, its employees, consultants, or agents, to modify any employee Certification or Primary Job Code as outlined in the Program Rules is unacceptable and will be considered a program manipulation and is subject to the Mazda Brand Experience Program (MBEP) Compliance and Audit Policy.

### **Important Note**

Mazda will monitor eMDCS and Mazda State training records (See Monitoring Policy Compliance in the Overall Terms and Conditions). Any action taken which violate the goals and intention of the training element of MBEP may be considered a violation.

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Examples of the Acceptable and Unacceptable actions – Not an all-inclusive list

Activity	Acceptable	Unacceptable
New Hires	Enters new hires into eMDCS and assigns appropriate primary job code on employees first day of employment	Non-entry of new hires into eMDCS. Does not assign job code on first day of employment
Avoiding Required Certification	Each employee completes his/her "Basic" Certification within the established time and/or grace period	Employee job codes unassigned or modified during quarter, which impacts training requirements
Assigning Employee Job Codes	Each employee is assigned the appropriate primary job code/title for the position they were hired for and entered into eMDCS	Employee is assigned a job code without training requirement then is moved to appropriate job code at the beginning of the next quarter
Promotions and Demotions	Employee receiving a promotion or demotion is assigned the appropriate primary job code within 24 hours	Employee is assigned a job code without training requirement then is moved to new job code at the beginning of the next quarter
Termination and Re-hiring	Employee is deemed to be underperforming by dealership and terminated. eMDCS Personnel File record is also "terminated"	Dealership "terminates" an employee record in the eMDCS Personnel File then reenters, "rehires", the same employee at the beginning of the next quarter
Individual Completion of Required Certification	Each employee must complete their own training	Any individual completing training on behalf of another individual
Sales Reporting	Employees engaged in Mazda business must be enrolled in the dealer personnel file (eMDCS) and must be trained as required of the program	Reporting sales made by individuals not in the Mazda eMDCS Dealer Personnel file using the User ID of an individual that is in the dealer personnel file to avoid training requirements
Avoiding Required Certification	Employees engaged in Mazda business must be enrolled in the dealer personnel file (eMDCS)	Removing or not entering an employee engaged in Mazda business into the dealer personnel file (eMDCS)
Use of Non- Employees	A non-employee (temporary or other) performing services for the Mazda business is enrolled in the dealer personnel file (eMDCS) and has met all training requirements.	Retaining non-employees (temporary or other) to perform services for the Mazda business, which would otherwise require training.

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## 6.10 Survey Anti-Manipulation Policy

In addition to general compliance shown in Section 6, the following compliance information applies to the Customer Experience Element Qualifier.

The following policy applies to customer feedback requested by Mazda Motor of America, Inc., d/b/a Mazda North American Operations ("Mazda") from Mazda owners on behalf of Mazda dealerships that is utilized to evaluate and compensate dealer performance.

### A. Purpose and Intent

To preserve the integrity and accurate representation of customer feedback in order to provide valid and actionable feedback for dealers and Mazda that supports the collective efforts of improving the customer experience and allows for accurate evaluation of dealership and dealer employee performance.

### B. Dealer Responsibility

It will be every dealer's responsibility to ensure the integrity of their survey records by conducting self-audits of their sales and service survey and invitation records. Mazda may provide dealers with guidelines and best practices for conducting a self-audit, however, this will not guarantee that all forms of manipulation will be uncovered. The best approach to preventing manipulation in the dealership is to establish a policy and code of conduct among employees that preserves the integrity of customer data.

### C. Definition and Types of Survey Manipulation

Survey manipulation can be defined as any action taken by a dealership employee to influence, misrepresent or modify a customer's survey response either directly or indirectly.

- Examples of direct manipulation include but are not limited to:
  - Altering a customer's email address
  - Falsely indicating that a customer would not provide an email address
  - Completion of a survey by a dealership employee or agent of the employee either with or without a customer's consent
- Examples of indirect manipulation include but are not limited to:
  - Requesting customers to give high scores
  - Offering incentives for completed surveys or high scoring surveys
  - Telling customers how to answer certain questions
  - Explaining to customers that pay plans are tied to survey scores
  - Using language to discourage customers from completing surveys

### D. Identification of Survey Manipulation

The following methods will be utilized to trigger an investigation of survey manipulation:

1. Mazda will conduct monthly systematic reviews to identify irregular patterns in survey responses and invitation records
2. Reports of manipulation practices to Mazda by customers, dealership employees, or Mazda employees
3. Field auditor finding during review of dealership records

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## E. First Offense

1. In instances where survey records are identified as suspect for manipulation, Mazda will notify the dealer in writing of the identified offense(s). Details of the suspicious records for direct manipulation or offense for indirect manipulation will be provided.
2. Dealer will investigate the suspected offense and respond in writing to their regional management within fifteen days as to their findings and what actions have been and will be taken to address the offense.
  - 2.1 Should dealer fail to respond to the warning or the response does not address the root cause of the manipulation, dealer may be subject to a field audit or placed on Element Payment Validation as outlined in the MBEP Terms and Conditions, [section 6.6.1.D](#) for the MBEP Earning Month during which the offense occurred. If scheduled for a field audit or placed on Element Payment Validation, dealer will not receive any CX Element Earnings until the resulting MBEP Index, Survey Health and Record Health scores can be verified.
3. Additionally, certain employees will be required to repeat the anti-manipulation web-based training course.

## F. Subsequent Offenses

Upon Mazda's internal review, should a dealer be found to have further offenses of survey manipulation within twelve months of the first offense, the dealer will be subject to the following:

1. For MBEP qualification, dealer will be placed on Element Payment Validation as outlined in the MBEP Terms and Conditions, [section 6.6.1.D](#).
2. At Mazda's discretion, dealer may be subject to an audit of survey and invitation records by a field auditor. Dealers not selected for a field audit will be required to submit documentation from Sales and Service transactions to Mazda for verification and/or Mazda may review individual surveys as part of the Element Payment Validation process.
3. Upon completion of field audit or validation process, any records identified as manipulated will be removed from dealer's MBEP Index, Survey Health and Record Health scores.
4. In the event the recalculated score does not qualify for the CX element for the MBEP Earning Month, dealer will not be eligible for payment of the CX element and/or any MBEP element requiring CX element qualification.
5. Upon removal of manipulated records from the MBEP Index, Survey Health and Record Health scores, should dealer still qualify for the CX element, dealer will be eligible for the CX element payment, however, payment will be reduced by up to \$500 for each manipulated record.
6. A third offense for a dealer in a twelve month period will result in disqualification from the MBEP CX element for one year.

Dealership chargeback examples for second offense:

### Example A:

- Prior to field audit, Dealer A has an MBEP Index score of 85 with a Percentile rank of 47, a Survey Health score of 90 and a Record Health score of 86. MBEP calculated earnings for the CX element would be \$25,000 for the MBEP Earning Month.
- Upon completion of the field audit or validation process, 20 survey records are identified as having been manipulated.
- A recalculation of the MBEP score with the 20 surveys removed results in a new MBEP Index score of 81 with a Percentile rank of 23, a Survey Health score of 87 and a Record Health score of 82.
- Dealer A does not qualify for the CX element and will not receive a payout for the MBEP Earning Month.

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## Example B:

- Prior to the validation process, Dealer B has an MBEP Index score of 88 with a Percentile rank of 70, a Survey Health score of 87.5 and a Record Health score of 91. MBEP calculated earnings for the CX element would be \$25,000 for the MBEP Earning Month.
- Upon completion of the validation process, 20 survey invitations have been identified as manipulated
- A recalculation of the Record Health score is 82. The MBEP Index, Percentile and Survey Health scores are not impacted as only Invitation records have evidence of manipulation.
- Dealer B still qualifies for the MBEP payout; however, the payment will be reduced by up to \$10,000 (20 x \$500). Payout of CX Element is now \$15,000 if full \$500 per record is charged (\$25,000 - \$10,000)

